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Physicians' Performance-based Incentive Plans Increasing

John Commins, for HealthLeaders Media , September 17, 2010

Annual performance-based incentive plans are growing for physicians in both presence and scale, according to consultants Hay Group's 2010 Physician Compensation Survey.

The survey found that 92% of group-based organizations offer incentive plans to their physicians, up from 75% in 2009.

Physician incentive plans are also being offered by 63% of hospitals this year, as opposed to 51% in 2009. The percentage of integrated health systems offering physician incentive plans remained steady between 2009 and 2010 at 67%. Of the 28 organizations that responded that they had no physician incentive plans, 39% said they were considering them.

"There is safety in numbers, and it has never been truer in healthcare than it is now," says CJ Bolster, national director for [Hay Group's healthcare practice](#). "Integrated health systems have scale and they can offer job security in lieu of having to offer higher incentives. Group practices that are not directly tied to a hospital or system will traverse a bumpier road in the post-reform era, but they will continue to attract physicians with an entrepreneurial drive and an acceptance of risk."

The incentive plans are also increasingly tied to performance measures, with patient satisfaction and quality the leading factors for all surveyed organizations. Fifty percent of group-based practices tie incentives to patient satisfaction and quality; that percentage is slightly lower for hospital-based (43%) and IHS-based (46%) organizations.

"No one should be surprised that healthcare organizations are moving to link pay to performance," says Ron Seifert, [executive compensation](#) practice leader for Hay Group's healthcare practice. "Hospitals will increasingly be rated on performance metrics such as patient satisfaction, readmissions and clinical outcomes, and reimbursements are likely to be linked to these as well. Financially, it's in an organization's best interest to embrace these changes now, rather than waiting for all the reform dust to settle. Communally, a hospital focusing on the needs and health of patients is good for everyone."

Incentive bonuses typically supplement base salaries, which are holding flat in hospital-based organizations, with 2.8% increases in 2009-2010, and 2.9% planned increases for 2010-2011. Group-based physician practices offer higher salary increases (4.8% granted in 2009-2010), but the planned base salary increases for 2010-2011 dropped to 3.3%.

Salary structures and salary planning for physicians remain flexible in 2010, respondents show. Half of hospitals and IHS', and 54% of group-based physician practices, say that their process is independent, meaning that they have a philosophy and structure, but that positions, specialties, departments and specific doctors are reviewed individually for their salary potential and subsequent increases.

The 2010 survey participants included integrated health systems, hospitals and group based physician practices, and covers 128 physician specialties, including 40 pediatric specialties, 16 non-physician provider positions, and 13 medical directors.

The Hay Group survey findings are consistent with a study by the Medical Group Management Association and the Society of Hospital Medicine last week which showed that base salary impacts both productivity and overall compensation for hospitalists. According to the study, State of Hospital Medicine: 2010 Report Based on 2009 Data, [hospitalists who receive a lower proportion of total compensation paid](#) as base salary tend to be high producers who are incentivized to earn more.

The report—which contains information on 443 hospital medicine groups and 4,211 hospitalists—found that hospitalists who received 50% or less of their compensation as fixed base salary reported the highest median work relative value units (wRVUs) at 5,407. Hospitalists who received 51% to 70% of their compensation as base salary performed 4,591 wRVUs, compared to 3,859 wRVUs for hospitalists who received 71% to 90% of their compensation as base salary. Hospitalists who received 91% to 100% of their compensation as base salary reported 3,571 wRVUs.

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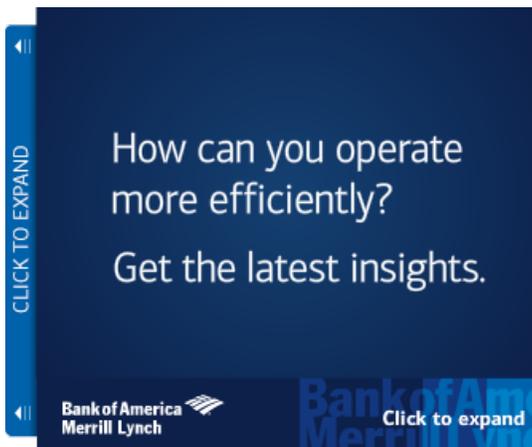
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